

## Message Text

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PAGE 01 PRAGUE 00483 01 OF 02 231240Z  
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
-----129597 231301Z /41  
O 231105Z FEB 78  
FM AMEMBASSY PRAGUE  
TO SECSTATE WASHDC IMMEDIATE 4783

C O N F I D E N T I A L SECTION 1 OF 2 PRAGUE 0483

EXDIS

FOR COUNSELOR NIMETZ, ASST. SECRETARY VEST AND DEPUTY ASST.  
SECRETARY LUERS

E.O. 11652: GDS  
TAGS: PGOV, EFIN, CZ, US  
SUBJECT: AMBASSADOR'S WASHINGTON CONSULTATIONS

REF STATE 036707

1. DURING MY FEB 27-MARCH 3 WASHINGTON CONSULTATIONS, I WILL  
CONCENTRATE ON OUR MAJOR BILATERAL ISSUE WITH THE CZECHOSLOVAKS  
AND THE SINA QUA NON FOR ANY EVENTUAL NORMALIZATION OF OUR  
RELATIONS, CLAIMS/GOLD. DURING MY DECEMBER DISCUSSION OF THIS  
ISSUE IN WASHINGTON, THERE WAS GENERAL AGREEMENT THAT IT IS HIGH TIME  
THE U.S. SIDE AGREED UPON A NEW PROPOSAL. THERE WAS ALSO A KEEN  
AWARENESS OF THE POLITICAL SENSITIVITY, PARTICULARLY IN CONGRESS, OF  
DOING ANYTHING THAT COULD APPEAR TO BE  
FAVORING A CZECHOSLOVAK REGIME WHICH HAS ABUSED HUMAN  
RIGHTS AT HOME AND OPPOSED OUR EFFORTS AT BELGRADE.

2. THESE FACTORS ARE NOT NECESSARILY CONTRADICTORY. OVER THREE  
YEARS HAVE ELAPSED SINCE CONGRESS ENACTED SECTIN 408 OF THE TRADE  
ACT LEVYING SUCH A MANDATE UPON US. IT IS MY STRONG CONVICTION  
THAT WE ARE OBLIGED TO RE-OPEN NEGOTIATIONS ON THIS ISSUE,  
WITHOUT FURTHER DELAY EVEN THOUGH HIGH GOC LEADERS (NOTABLY  
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FOREIGN MINISTER CHNOUPEK) HAVE INDICATED INDIRECTLY THAT THEY ARE  
NOT PREPARED TO SETTLE THE ISSUE ON THE BASIS OF A SUBSTANTIALLY  
HIGHER PAYMENT TO U.S. CLAIMANTS THAN THAT STIPULATED IN THE  
1974 INITIALLED AGREEMENT. GOC RESISTANCE IS BASED NOT ONLY ON  
THE ACTUAL DOLLAR COLST OF RAISING THEIR PAYMENT BUT ALSO ON THE  
POLTICIAL "PRESTIGE" COST OF APPEARING TO SETTLE MORE  
GENEROUSLY WITH US THAN DID THEIR EAST EUROPEAN ALLIES IN

EARLIER AGREEMENTS. OFFICIALS

HAVE FLATLY SAID THAT THEY HAVE NOT FACTORED RETURN OF THE 18.4 TONS OF MONETARY GOLD(NOW WORTH ABOUT \$106 MILLION) INTO THEIR FINANCIAL PLANS FOR THE NEXT SEVERAL YEARS. GOC LEADERS CLEARLY ARE NOW GIVING MUCH GREATER ATTENTION AND EFFORT TO IMPROVING TIES WITH AUSTRIA, THE FRG AND OTHER NEARER WESTERN NEIGHBORS THAN WITH THE U.S. NEVERTHELESS, THERE ARE SOME IMPORTANT FIGURES-PRIME MINISTER STROUGAL IS A KEY ONE--WHO SEEM TO SEE THE SUBSTANTIAL LONG RANGE BENEFITS IN FINALLY RESOLVING CLAIMS/GOLD AND LAYING THE BASIS FOR IMPROVED ECONOMIC AND PERHPAS POLITICAL TIES WITH THE UNITED STATES.

3. FROM OUR OVERALL INTEREST, A SHARPLY INCREASED PAYMENT IS THE ONLY BASIS UPON WHICH WE SHOULD SETTLE. MY PROPOSAL IS TO CHANGE TWO KEY ASPECTS OF THE 1974 AGREEMENT, NOT REOPEN THE ENTIRE RANGE OF ISSUES WHICH WERE DISCUSSED AT SUCH LENGTH TO REACH THAT AGREEMENT. THE ONLY CHANGES PROPOSED IN THE 1974 TEXT ARE THAT THE TOTAL PAYMENT TO U.S. CLAIMANTS (EXCLUDING THE \$9 MILLION ALREADY DISTRIBUTED) BE RAISED FROM \$20.5 MILLION TO \$35 MILLION, HOPEFULLY PAID IN ONE LUMP SUM, BUT THIS COULD BE SUBJECT OF SHARP NEGOTIATIONS. SUCH A CHANGE WOULD HELP COMPENSATE FOR THE ERODED VALUE OF THE DOLLAR OUR CLAIMANTS WILL RECEIVE. IT WOULD ALSO REFLECT THE LEVERAGE WE CAN AND SHOULD USE BY CONTROLLING THE RETURN OF THE GOLD, WHICH HAS INCREASED IN VALUE (BOTH IN CURRENT AND CONSTANT DOLLARS). THE GOC COULD WELL RESPOND TO THIS PROPOSAL BY INSISTING THAT OTHER

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ASPECTS OF THE 1974 AGREEMENT BE RENEGOTIATED, E.G. THE SETTLEMENT OF U.S. SURPLUS PROPERTY (ARTICLE 9) OR THE STATUS OF OUR BLOCKED CROWN ACCOUNTS (ARTICLE 8). WE SHOULD RESIST THIS AND SEEK TO LIMIT THE NEW NEGOTIATIONS TO THE CLAIMS FIGURE. SUCH A PROPOSAL IS CLEARLY THE BEST OPTION OPEN TO US. NEVERTHELESS, I SHOULD BE READY TO DISCUSS-AT THE DEPARTMENT AND ON THE HILL-ALL ASPECTS OF OTHER OPTIONS, FROM DOING NOTHING TO VESTING AND SELLING THE U.S.- HELD GOLD TO PAY OFF OUR CLAIMANTS OURSELVES.

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W

-----129764 231301Z /42

O 231105Z FEB 78

FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC IMMEDIATE 4784

C O N F I D E N T I A L SECTION 2 OF 2 PRAGUE 0483

EXDIS

FOR COUNSELOR NIMETZ, ASST. SECRETARY VEST AND DEPUTY ASST.  
SECRETARY LUERS

4. WHILE THE COURSE OF ACTION OUTLINED ABOVE CAN BRING PROBLEMS, I FIRMLY BELIEVE THAT CONTINUED APPARENT INACTION ON OUR PART WILL CREATE GREATER PROBLEMS. WE CANNOT ESCAPE OUR LEGISLATED MANDATE TO RENEGOTIATE THIS MATTER. WE CANNOT ALLOW THE CZECHOSLOVAKS TO CONTINUE TO BLAME US FOR THE CURRENT IMPASSE

--FAR BETTER THAT WE MAKE THEM A SPECIFIC NEW PROPOSAL THAT ADVANC OUR NTERESTS AND LET THEM BEAR THE ONUS OF REJECTING IT. WE CANNOT LET OUR ELDERLY CLAIMANTS CONTINUE TO WAIT FOR THEIR MONEY QITH NO VISIBLE SIGN THAT WE ARE WORKING FOR THEIR INTERESTS. LAUNCHING A NEW EFFORT TO RESOLVE CLAIMS/GOLD ON TERMS CLEARLY IN OUR OWN INTEREST WOULD ALSO ENABLE US TO SHOW U.S. BUSINESSMEN, MANY OF WHOM FEEL THAT OUR PERCEIVED INACTION HAS PREJUDICED THEIR COMMERCIAL INTERESTS, THAT WE ARE WORKING TO IMPROVE THEIR ACCESS TO THE CZECHOSLOVAK MARKET.

5. WITHOUT INDULGING IN SELF-DELUSION, THERE IS REASON TO CONCLUDE THAT WE ARE IN A PERIOD WHERE GOC RECEPTIVITY TO A NEW U.S. OFFER IS IMPROVING. WE HAVE SEEN OUR BILATERAL RELATIONS, AS REFLECTED BY TREATMENT OF U.S. JOURNALISTS, PROGRESS ON DIVIDED FAMILIES, ACCESS FOR EMBASSY OFFICERS AND OTHER PHENOMENA, IMPROVE GRADUALLY BUT PERCEPTIVELY SINCE THE NADIR OF EARLY 1977.  
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WE READ SIGNS THAT GREATER EMPHASIS IS BEING LAID ON ECONOMIC IMPROVEMENT, WHICH MAKES THE PROSPECT OF EVENTUAL MFN TREATMENT ONCE CLAIMS/GOLD IS RESOLVED ALL THE MORE ATTRACTIVE. AND IN THIS YEAR, THE TENTH ANNIVERSARY OF THE SOVIET-LED INVASION, THE GOC WILL BE MORE EAGER THAN EVER FOR INTERNATIONAL RESPECTABILITY.

6. THE COMING WEEKS MAY WELL BE PROPITIOUS FOR MAKING A NEW PROPOSAL TO THE CZECHOSLOVAKS. WE EXPECT A SIGNIFICANT CENTRAL COMMITTEE PLENUM IN MARCH( AFTER MY RETURN) AT WHICH ECONOMIC POLICY AND OTHER KEY TOPICS WILL BE DISCUSSED. IF WE COULD AGREE ON MY COMING BACK WITH A PROPOSAL TO GIVE TO PRIME

MINISTER STROUGAL, WITH WHOM I HAVE HAD A POSITIVE EXCHANGE  
ON CLAIMS/GOLD BEFORE, WE MIGHT BE ABLE TO INDUCE A HIGH-LEVEL  
RECONSIDERATION OF THE GOC POSITION AND START RENEGOTIATING IN  
EARNEST.

7. I LOOK FORWARD TO DISCUSSING THESE MATTERS WITH  
EACH OF YOU SHORTLY.  
BYRNE

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** MEETING AGENDA, AMBASSADORS, MEETINGS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 23 feb 1978  
**Decaption Date:** 20 Mar 2014  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978PRAGUE00483  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
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**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** EXDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Handling Restrictions:** EXDIS  
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**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
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**Review Release Event:** n/a  
**Review Transfer Date:**  
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**SAS ID:** 3504458  
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**Status:** NATIVE  
**Subject:** AMBASSADOR'S WASHINGTON CONSULTATIONS  
**TAGS:** PGOV, EFIN, CZ, US  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014